

Estimated Quarterly Payment for Michigan Business Tax

Michigan Business Tax Estimates

Michigan Business Tax (MBT) is a tax on Michigan business income and modified gross receipts (except for insurance companies and financial institutions). In addition, every taxpayer is subject to an annual surcharge equal to a percentage of their MBT liability after apportionment or allocation. MBT replaced the Single Business Tax (SBT) effective January 1, 2008. MBT is due only if a taxpayer's apportioned or allocated gross receipts are \$350,000 or greater for the tax year.

Taxpayers with an annual combined MBT liability expected to exceed \$800 must make estimated payments. Taxpayers include a single person or entity or a unitary business group. A unitary business group is a group of United States persons, other than a foreign operating entity, one of which owns or controls, directly or indirectly, more than 50 percent of the ownership interests with voting or comparable rights of the other United States persons and that (a) has business activities resulting in a flow of value between or among persons in the group, or (b) has business activities that are integrated with, are dependent upon, or contribute to each other.

The sum of your estimated payments must equal at least 85 percent of your total liability and the amount of each payment must reasonably approximate the tax liability incurred during the period. If your tax year was less than 12 months (e.g., you opened or closed a business during the year) annualize the tax to see if you must file estimates.

MBT estimated payments are not required for taxpayers with a short year of less than four calendar months under the MBT. Payment of the annual tax liability remains due on the last day of the fourth month after the end of the year.

When to File MBT Quarterly Tax Returns

For a calendar year taxpayer, quarterly returns are due the 15th day of April, July, October and January. For a fiscal year taxpayer, quarterly returns are due the 15th day of the first month after each quarter.

For any tax year that includes an estimate period of less than 3 months, the quarterly return for that period is due on the 15th day of the month immediately following the final month of the estimate period. However, estimated payments are not required for a taxpayer with a short year of less than four calendar months.

How Much to Pay

Your quarterly estimated MBT payment must be computed on the actual business income tax base and modified gross receipts tax base of the period combined plus the annual surcharge imposed. No penalty or interest will be charged if payments are made on time and the sum of the estimated payments equals at least 85 percent of your annual liability, and the amount of each payment reasonably approximates the total tax liability incurred during the period. Estimates cannot be based on the prior year's SBT liability and cannot be based on 1 percent of gross receipts.

Estimating Tax Liability

For taxpayers with apportioned or allocated gross receipts of \$350,000 or more, the MBT is comprised of a 4.95 percent tax on business income and a 0.8 percent tax on modified gross receipts. A credit is used to phase in the tax liability for taxpayers with gross receipts between \$350,000 and \$700,000. In addition, an annual surcharge is imposed on each taxpayer equal to 21.99 percent of their MBT liability after allocation or apportionment to the State, but before the calculation of credits available under the Act. The amount of the surcharge levied against a taxpayer is capped at \$6,000,000 in any single tax year.

- Financial institutions pay different taxes with different tax bases, without regard to any filing threshold and the annual surcharge is imposed at a different rate. For more information, please refer to the Michigan Business Tax Act (MCL 208.1101 et seq.) or visit the MBT Web site at www.michigan.gov/MBT.
- Insurance companies are sent a separate booklet containing the necessary forms and instructions.

For most taxpayers, the **business income tax base** is that part of federal taxable income derived from business activity, with certain adjustments.

Additions (to the extent deducted or excluded from federal taxable income) include:

- Interest income and dividends derived from obligations or securities of states other than Michigan,
- Taxes on or measured by net income and the tax imposed under the MBT,
- Any carryback or carryover of a net operating loss,
- Loss attributable to another taxable entity,
- Royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's unitary business group.

Subtractions (to the extent included in federal taxable income) include:

- Dividends and royalties received from persons other than United States persons and foreign operating entities,
- Income attributable to another taxable entity,
- Interest income derived from United States obligations,
- Net earnings from self-employment, as defined under section 1402 of the internal revenue code, of the taxpayer or a partner or limited liability company member of the taxpayer except to the extent that those net earnings represent a reasonable return on capital.

The **modified gross receipts tax base** consists of gross receipts less purchases from other firms. Gross receipts means the entire amount received by a taxpayer from any activity carried on for direct or indirect gain, benefit, or advantage to the taxpayer or

to others, with certain specific exceptions. “Purchases from other firms” means:

- Inventory acquired during the tax year.
- Depreciable assets acquired during the tax year.
- To the extent not included in inventory or depreciable assets, materials and supplies (tangible personal property), including repair parts and fuel, acquired during the tax year directly connected to and used or consumed in the production or management of inventory or the operation or maintenance of depreciable assets.
- Other expenses for staffing companies and certain construction contractors.
- For the 2009 tax year, 50 percent of film rental or royalty payments paid by a theater owner to a film distributor and/or producer.

Some taxpayers may find that business income, gross receipts, and purchases from other firms may be approximated using monthly profit and loss statements.

For more information visit the MBT Web site at www.michigan.gov/MBT. The Web site contains information taxpayers may find helpful in determining their estimated tax liability.

Using Personalized Estimate Returns

If you made estimated payments under SBT, Treasury will send you personalized returns. Use the personalized returns whether you fill them out yourself or get help from a tax preparer. Personalized returns shorten the processing time of your payment and reduce the chance of an error in your account. Do not use personalized returns if information on the return is incorrect and **DO NOT USE OTHER TAXPAYERS’ RETURNS OR PHOTOCOPY THEIR FORMS**. If you do, your payments could be applied to the wrong account. If you use software to prepare your return, the software may create a personalized return for you. If you lose a return, or have not made estimated payments before, visit www.michigan.gov/taxes to obtain a form or call toll-free 1-800-367-6263 to have tax forms mailed to you.

Combined Sales, Use, Withholding and Michigan Business Tax Payments

You may make MBT monthly estimated payments with your sales, use and withholding (SUW) taxes return. If you choose this convenient option, you only need to file one form and write one check for all the taxes you pay. If filing monthly using Form 160, *Combined Return for Michigan Taxes*, monthly payments may be filed on the 20th day of the month. For example, a calendar year taxpayer may file monthly MBT estimates using Form 160 on February 20, March 20, and April 20 rather than a single quarterly payment on April 15 provided the combined estimates for those months are calculated using the instructions provided on the reverse side of the form. However, for taxpayers required to make remittances by electronic funds transfer and not using Form 160,

MBT estimates remain due on the 15th day of the month following the final month of the quarter. The estimated MBT for the quarter must also reasonably approximate the liability for the quarter.

Reporting Payments

Regardless of which form you use to file estimated MBT payments, report all MBT estimate payments on your annual MBT return. An annual return is required only from taxpayers whose apportioned or allocated gross receipts are \$350,000 or more. If your gross receipts are below this filing requirement and you made estimated payments during the tax year, file Form 4567, *Michigan Business Tax Annual Return*, to claim a refund of your payments. For more information, see the Michigan Business Tax Act, MCL 208.1101 et seq.

Penalty and Interest

Penalty is 5 percent of tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent. The interest rate is adjusted by Treasury January 1 and July 1 of each year, to 1 percent above the prime rate. For a complete list of interest rates, see RAB 2007-4 on Treasury’s Web site at www.michigan.gov/taxes.

Extensions

For calendar year taxpayers, extensions for filing the annual return may be granted upon written application.

Fiscal year taxpayers will be granted an automatic extension for their 2008 fiscal year annual return. Returns for fiscal years ending in 2008 will be due the same date as 2008 calendar year returns, which is April 30, 2009.

A fiscal year taxpayer may request an additional extension on Form 4, *Application for Extension of Time to File Michigan Tax Returns*, if the extension to April 30, 2009, is not sufficient, e.g., a taxpayer with a fiscal year ending November 2008, with a federal extension granted through September 2009.

An extension of time to file is not an extension of time to pay. Payments, including appropriate estimated payments, must still be timely made. Payments other than estimates may be made using Form 4, *Application for Extension of Time to File Michigan Tax Returns*.

Filing Quarterly Tax Returns

Make your check payable to “State of Michigan” and write your account number and “2008 MBT Quarterly” on the front of the check. Mail your check with the MBT quarterly return for that installment. Do NOT staple your check to the return. Mail your check and return to:

Michigan Department of Treasury
Department 77889
Detroit, MI 48277-0889

IMPORTANT: File these original returns and keep copies for your file. If you do not prepare your own returns, give the originals to your preparer. These returns are read by an optical scanner which can process only these original returns.